GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:519
ANSWERED ON:03.12.2004
BAN ON EXTERNAL COMMERCIAL BORROWINGS
Gadhavi Shri Pushpdan Shambhudan

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has imposed a complete ban on External Commercial Borrowing (ECB) by Indian companies;

(b) if so, the reasons therefor;

(c) the details of loss suffered by Gujarat Government as a result of this decision;

(d) whether the Government has undertaken a review on the issue and proposed to lift the ban on ECB to help corporate sector in getting cheap funds from abroad; and

(e) if so, by when?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a): No, Sir.

(b) & (c): Do not arise.

(d) & (e): The policy on External Commercial Borrowings (ECB) is reviewed periodically by Government in consultation with the Reserve Bank of India (RBI). ECB policy was last reviewed in January, 2004, based on which the current ECB guidelines were notified by RBI on 31st january, 2004. As per these guidelines, all corporates registered under the Companies Act, except financial intermediaries, are eligible borrowers under the automatic route for ECBs up to USD 500 Mio. Proposals not covered under the automatic route are considered by a committee set up by RBI. ECBs can be raised for investment in the real sector, that is, the industrial sector, including small and medium enterprises, and the infrastructure sector.